Final synopsis : A study on retail banking practices in Commercial banks with special reference to Dakshina Kannada & Kodagu districts

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Introduction

Banking represents one of the largest and most influential financial activities of any economy due to the strong linkages virtually existing with any part of the economic system. In the recent years, banking is no longer regarded as business dealing with money transactions alone, but it is also seen as a business related to information on financial transactions.[1] The contemporary developments in retail banking such as "anywhere-anytime banking" have often been depicted as technologically driven phenomena. Intensifying competition among different categories of banks, entry of non-traditional players into retail banking domain, changing customer preferences, decreasing customer loyalty are forcing banks to look for the generation and replenishment of innovation in the retail banking sector.[2] This research study titled "A Study on retail banking practices in Commercial Banks with special reference to D.K and Kodagu districts" is an endeavor to understand and analyze the nature and the extent of retail banking practices in Commercial banks in India and seeks to reaffirm that, the significant effects observed have played a major role in bringing about a qualitative change in banking activities of retail customer segment.

The term 'Retail Banking' encompasses various financial products both in assets and liabilities side that include various types of savings deposit accounts, housing, consumer, auto and other types of loan accounts, demat facilities, insurance, mutual funds, Credit and Debit Cards, ATM and other technology-based services, stock-broking, payment of utility bills, reservation of railway tickets, etc. catering to diverse customer groups mostly to individuals.[3] Simply speaking, it takes care of the diverse banking needs of an individual. The concept of Banking to retail has always been prevalent in various forms ever since the evolution of banking. Co-operative banks that have been existence in India for over a century have always had retail thrust. It is only since the mid nineties that the term retail banking has been used as a means of reinforcing a conscious foray into this particular line of business for differentiation.[4]

In India, the biggest component of aggregate savings is the savings in the household sector, followed by private corporate and public sector.[5] A significant proportion of household financial savings is routed through the banking system.[6] Retail banking is a core activity and source of strength for Banks. Retail banking mirrors the larger economy with its linkage to all sectors makes it a proxy for what is happening in the economy as a whole. Reserve Bank of India's (RBI) Report on Trend and Progress of Banking in India, informs, the retail asset

market (as measured by disbursement) grew at the rate of 35% per annum for 4 years since the year 2000.[7] Banks realizing the potential of this segment started placing more emphasis on marketing; no matter it is a credit product or mobilizing deposits in small amounts. Every bank, be it public sector or private sector or foreign sector is marketing its services to customers by evolving new products and adopting new strategies such as expanding branch networks, developing value-added products and services that could be doled out through alternative channels of delivery like ATMs, Internet etc.

The rising per capita income, changing attitudes towards credit, low cost of borrowing and demand for more sophisticated and varied financial products particularly for savings and investment are some of the forces driving the growth in Asian markets.[8] The Indian banking industry is passing through a phase of customers market. The competition induced by the new private sector banks has clearly re-energized the Indian banking sector as a whole: new technology is now the norm, new products are being introduced continuously, and new business practices have become common place.[9] Demographic transitional factors are also acting as catalytic agents contributing to the worthy cycle of growth in savings, investment and credit off take.[10]The customers have more choices in choosing their banks. In the highly competitive environment, success is defined not only by hardware resources but also by intangible factors like customer relationship, brand positioning and user-friendly technology.[11]Thus the changing dynamics of the retail banking business have significant implications for financial institutions. As reported in Deloitte study conducted jointly by Consumer bankers association in Europe "only 28% of customers are highly committed to their bank. Simply introducing a product or dropping a fee won't produce sustainable differentiation; when the point of differentiation is easily imitated, consumers' 'loyalty' incentive is diminished ".[12]

The branch network has traditionally been the main distribution channel for retail banking services.[13] In the aftermath of liberalisation during the early nineties, when the peer new generation private sector banks started opening ATMs, the Public sector banks had to go for it.[14] The rise of multi- channeling has been witnessed to cater for the needs of different consumer groups. Thus increased automation and non-personalised transactions such as ATM based withdrawals, Internet Banking, Drop Boxes, e-statements, credit-cards and the like have changed the way of doing banking. The Indian customers like continuity not change, resist complexity in usage and not technological change itself. If a bank creates perception of any service in its promotional programmes but fails in its delivery, it could lead to a customer

satisfaction gap. In such a scenario, a bank must be equipped to deliver both Technical and Functional quality to provide its customers with total quality service.[15] Banks in India have taken several initiatives in this direction by paying more attention to customer touch points, improving value chain and relationship marketing.

In comparison with wholesale banking or corporate banking, retail banking is a high sized business with many service providers competing for market share .If the processes and technology can be harnessed ,retail banking could provide an ideal combination of profit(such as credit cards, personal loans) as well as a fair degree of risk diversification on the entire portfolio.[16] Due to growing competition in retail banking, considering the customer awareness about service quality is becoming essential. IBA under the initiative of RBI has played a complementary role in efforts for improving customer service in banks by coming out with a model Fair Practices Code. RBI set up the Banking Codes and Standards Board of India(BCSBI)in 2006, to ensure that banking codes and standards are voluntarily adopted by banks and are adhered to in letter and spirit, while providing services to individual customers.[17] The development and success of the retail market in the banking sector will depend upon the aptitude and ability of the banks to meet the challenges and make the best use of the opportunities. [18]

According to Asian Banker Excellence survey, optimizing workflow processes, Customer relationship management, sales and branch automation and risk management will be key focus areas in banks' retail operations in 2010.[19] The future of retail banking in Asia lies in an almost community type frontline approach built on large scale banking infrastructure capabilities. Leichtfuss, Reinhold and Mattern F forecast an interesting convergence in the strategic development of banks worldwide whether U.S, Europe or Japan moving towards an integrated financial provider offering private individuals and small corporate customers services differentiated by segment. They discuss five best practices of retail banking as: Strong corporate leadership, professional marketing approach, automated processes, and differentiated and efficient distribution system and credit policy that covers risk efficiently.[20]

Statement of Problem

The Indian Banks faced the multiple and concurrent challenges of increased competition, rising customer expectations and convergence of services and technologies by adopting better operational strategies and upgrading the skills of employees.[21] Report on Trend and Progress

of Banking in India published by RBI testify that the retail banking business segment(especially housing and consumer) has emerged as the fastest growing business for the banks.[22] In recent years, customers have become significantly more sophisticated, demanding and disloyal.[23]Demand for products has changed; customers are no longer satisfied with core products, but look for packaged products that come with a bundle of services. The expectations of consumers about banking services differ according to their occupation, age, income and geographical profiles. Thus banks have to profile their retail customers to bundle out new products and also to sustain relationships with them. Banks have come up with branded business models to serve the needs of diverse customer segments to some extent.

The range of products/services available for retail segment is characterized by a high level of competition and comparatively small size, with a continuous flow of new products/services.[24] Successful introduction of a new products/service for retail segment requires that market objectives should be communicated to branch offices. Bank managements need to have employees who are well informed about the new products as well as have the necessary soft skills to deal and satisfy the customers. Deputy Governor of RBI Chakravarthy K.C expresses his concern that "There is a sharp asymmetry in information and expertise between the manufacturers and distributors of products and retail investors and the latter typically exhibit a relatively low level of financial sophistication".[25]

The growing competition and highly stressed profits have brought the importance of customer satisfaction to the centre of focus. It has become very important for the banks to retain their existing customer base as well as to enlarge the same. It is reported that 90% of bank switching occurs due to pricing, dissatisfaction about employee service and inconvenience. Thus evaluation of customer satisfaction is necessitated by the fact that it can significantly influence bank loyalty.[26]

In the recent years the emphasis is entirely on productivity and efficiency expressed in terms of numbers(like business per branch, business per employee), with the result that there has been intensification of work for the branch –level employees. Another serious issue bothering bank management is the skill gap in certain levels which could be attributed to intense computerisation of banking operations. If meaningful market programs and plans are to be made and effective marketing strategies are to be developed and implemented, commercial banks must have a comprehensive knowledge of customers' attitudes, perceptions, knowledge structures and behavioral tendencies.[27] Apart from discovering the unmet needs, banks must

make efforts to identify problems that customers have to put up with to avail retail banking service from sources such as customer meets, complaint boxes and front-line employees. Employees' understanding of the consumers' perception of existing and new products, satisfaction with firms' contact points can provide valuable inputs to the management in making realignments and readjustments to the existing system.[28]

Research Gap

In light of the above problems and concerns , the present research study titled "A Study on retail banking practices in Commercial Banks with special reference to D.K and Kodagu districts" concentrates on banking phenomenon at individual and household level (popular as retail banking) to examine the organizational practices adopted by Commercial banks and customer-banker issues encountered while performing banking operations. Review of research studies on customer satisfaction and perceived service quality in banking reveals that banks are not winning the hearts and minds of their customers. The retail segment is one of the most vulnerable to marketing inadequacies and as this forms the mass market, the customer is often highly visible and vocal. Although, there are a number of studies conducted at different regional levels in India, they focus only on customer satisfaction, service quality expectations or gaps, studies on analysis of attitudes of customers and functionaries of specific banks towards Retail banking are very few. A large scale empirical study at the global construct level to determine loyalty in a retail banking setting conducted by Bloemer,Ruyter & Peeters(1998) came out with the conclusions that image, quality and satisfaction exert an influence on customer loyalty with banks.[29] A modified version of the frame work has been utilized to understand the relationships between images, satisfaction with core services and rapport with employees and years of association on service loyalty.
The present study attempts to fill the gap through a study of two commercial banks , Corporation Bank (CB) in public and Karnataka Bank Ltd (KBL) in private sector with focus on retail banking and exploring the views of customer-contact personnel working in branches and customers.

Objectives of study

The study covers the following specific objectives:

1. To make a comparative study of growth of different components of retail lending portfolio and retail bank deposits of Scheduled commercial banks in India from 2002 to 2009.
2. To review the marketing practices undertaken by commercial banks for retail segment and highlight the existing practices of select Banks in identifiable areas of Product/service innovations.
3. To evaluate the opinion of employees working in branches about practices, processes and service delivery for retail segment.
4. To analyze the level of customer perceived satisfaction among different customer groups based on socio-demographic factors (such as age, occupation, education, geographical area, patronage with bank).
5. To investigate the critical factors in establishing customer loyalty.
6. To derive the managerial implications and strategies concerning marketing of retail financial services which are relevant for all banks in the selected region using the findings.

Hypothesis tested

Commercial banks have become more market-oriented and focused with a mission to become customer driven. The first critical issue is whether a commercial bank can provide the required banking services to its diverse consumer market segments. In light of the above objectives, it is necessary to examine the banking experience as perceived by customers. The following hypothesis have been tested :

Hypothesis 1. Customer satisfaction with retail banking services differs across different sub–segments of customers

Hypothesis 2. Customer Satisfaction differs across Dakshina Kannada and Kodagu districts-the regions chosen for study

Hypothesis 3: Customer satisfaction with core services, perceived satisfaction with image of the bank , perceived good feeling of transactional experiences with branch employees of the Bank and the duration of association of customer with the Bank has a positive influence on customer loyalty.

Hypothesis 4: Socio-economic and technological factors are vital predictors of propensity to adopt electronic banking services in the chosen regions.

Scope of the study

The present research study titled "A Study on retail banking practices in Commercial Banks with special reference to D.K and Kodagu districts" was carried out in two districts. This is an analytical study based mainly on the primary data collected through scientifically developed questionnaire. The study mainly focuses on the primary opinion of the customers of commercial banks. The Corporation Bank (CB) is selected as the representative of the public sector banks and the Karnataka Bank Ltd (KBL) as representative of the private sector banks. Each representative bank has been evaluated on 23 parameters in the geographical regions of Dakshina Kannada and Kodagu districts. Satisfaction is a multi-dimensional construct which has been conceptualised as a prerequisite for building relationships and is generally described as the full meeting of one's expectations (Oliver, 1980) and is the feeling or attitude of a customer towards a product or service after it has been used. This study is limited to three dimensions of customer perceived satisfaction as put forth by (Crosby and Stevens, 1987) namely, satisfactory interactions with personnel, satisfaction with the core service, and satisfaction with the organization. Satisfaction with contemporary developments has been taken as an additional dimension in this study. Retail banking services covered under this research study includes products/services offered by commercial banks under retail deposits, retail loans, usage of ATM facility, debit and credit cards. Banks did not disclose major information related to stock trading, sale of insurance bonds and mutual funds as these services were carried out in partnership with other firms. However this drawback, does not influence the major findings because these services were provided only in 2 branches of Mangalore city and are not yet mainstream in all other branches.

Research Method and Procedures

A review of trends in retail banking covering deposits mobilized, advances disbursed and electronic payments have been carried out for the period 2002-2009 using the annual data-published in the Annual reports of Reserve bank of India. The study makes a detailed review of literature on retail banking phenomenon to extract the dimensions and make a precise formulation of the problem. The outputs of this phase form the input to framing questionnaires and conducting a field survey in the chosen geographical area.

For the purpose of micro-level study, two Commercial banks were selected-Corporation bank and Karnataka bank Ltd each belonging to public sector and private sector ownership.

The geographical area was divided into eight clusters (taluks) and a random sample was drawn from each cluster via one stage cluster sampling. Mangalore taluk had the highest representation of customers (23%), followed by Madikeri (15%) and Virajpet (11.3%), Puttur, Sullia and Somwarpet had a total representation of 28% and other taluks Bantwal and Belthangady represent rural areas with 22% of sample proportion. Exhibit 1 provides the coverage of bank branches under the sample survey. Each representative bank has been evaluated on 23 parameters in the geographical regions of Dakshina Kannada and Kodagu districts. The research scholar travelled through the length and breadth of both the districts to collect the primary data. The total sample size of study came to 800 customers, wherever and whenever convenient focus group studies were conducted with customers to bring forth suggestions. The sample was drawn through judgement sampling guided by inputs from branch managers.Exhibit 2 provides the sample design for customer perception study.

The study on Bankers' perception was focused on empirically derived knowledge about effectiveness/ineffectiveness of retail banking practices amongst bank employees belonging to CB and KBL. This sample consisted of 96employees across 4 levels Senior Manager, Manager, Officer and Clerks working in the regions D.K and Kodagu districts. Exhibit 3 gives a snapshot of bank employees' sample design.

The customer data was analysed through cross-tabulation, chi-square analysis, multi-variate techniques such as multiple regression, ANOVA and Factor analysis using SPSS 16 version. The employee data was analysed using Kruskal Wallis H-test –a non-parametric test because it is believed that when the data are ordinal K-W test is more powerful than chi-square test, besides that, it does not require a certain minimum expected frequency in each cell as chi-square test does. Secondary data have been collected from RBI publications, lead banks of D K and Kodagu districts and respective websites of both banks.

Limitations of study

The present research study "Retail banking practices in Commercial Banks with special reference to D.K and Kodagu districts" has been carried out using 2 sets of questionnaire to measure the perceived satisfaction levels of bank employees and bank customers, as it was the basis for designing the marketing strategies for retail banking segment. The study strongly

depends upon the perception of the respondents in order to give opinions. Consequently, there may be a variation of data reflecting the respondents' character: pessimist or optimist.

The study employs a relatively small sample and is restricted to the employees working in semi-urban and urban branches of Public sector and old generation Private sector Bank. These limitations could impact the extent to which the results can be extrapolated to the other metropolitan branches and other group banks. There were also restrictions on the number of interviews with bank employees. Firstly, the bank employees were busy during the business hours; secondly, only senior officers were selected for interview for a short period.

Banks imposed restrictions on number of branches and customers to be surveyed to safeguard customer privacy as per BCSBI code regulations, thus interviews conducted at branch premises were more structured. To seek more opinion most of the interviews with the customers were conducted informally at their work places.

The use of limited number of interviewees and short duration may lead to observer caused bias and validity problems. However, bias and limitations of small numbers were minimized by collecting relevant published annual reports and other written documentation from the bank and with the help of telephone follow up with the interviewees. Another measure taken to minimize bias and validity problems was through verification of statements made about systems by one interviewee, which were verified and discussed with other interviewees. Future research in customer and employee insights could examine a wider respondent base from diverse bank groups across all other states of India.

Layout of the report

Chapter 1: Introduction

The Retail Banking environment is getting highly competitive & dynamic day-by day compelling banks to resort to customer-centric approach to attract and retain customers. This chapter provides the rationale and background of study, the problems persisting, objectives set up and hypothesis tested. A review of related studies in India and other countries are provided to justify the gap relevance of study .The other areas covered are- significance, scope and limitations of study.

Chapter 2: Customer satisfaction and Internal marketing- A conceptual framework

This chapter deals with conceptual issues of service quality and customer satisfaction, measurement of customer satisfaction as captured through different models. It also addresses the importance of internal marketing followed by a brief explanation of variables employed for the study of employee perception on internal marketing

Chapter 3: Retail banking scenario in India

This chapter provides an overview of Retail Banking landscape in India by discussing the diversified range of products/services, technological developments and new services offered to customers. The marketing mix, growth rates in credit and deposits, the challenges under retail finance are taken up.

Chapter 4: Retail Banking practices in Corporation Bank and Karnataka Bank Ltd

This section is devoted to the presentation of significant banking developments in the selected regions of D.K district and Kodagu district , along with the practices adopted by the selected commercial banks to serve, attract and retain customers .An attempt is made to discuss the components of marketing mix , composition of retail portfolio and internal marketing practices of banks

Chapter 5: Customers' perception of Retail Banking Practices in Corporation Bank and Karnataka Bank Ltd

This chapter presents the analysis and interpretation of data collected through field study based on customer perceptions of service satisfaction, loyalty and adoption of self-service technologies. The user perception are compared in terms of contentment in the context of different types of services offered by Corporation Bank and Karnataka Bank Ltd

Chapter 6: Bankers' perception towards Retail Banking Practices

This chapter presents the analysis and interpretation of bank employee based primary data gathered through personal contact. The main objective of this empirical study is to deduce the commonality of interest and employees' perception about quality of service in retail banking segment at the branch level.

Chapter 7 : Summary of findings , suggestions and conclusions

This chapter brings the valuable answers to the research study objectives formulated. The summary of findings is presented, as well the valuable outputs of the study in the form of conclusions and recommendations are discussed.

Findings of the study

The annual data for the years from 2000-2010 sourced from RBIs - Trend and Progress of Banking in India and Centre for monitoring Indian Economy(CMIE) were examined to arrive at fitting of the trend line witnessed in retail banking. The contribution of households in India's financial savings is 58% compared to Government sector(14.13%),private corporate sector(11.43%),financial sector(10.17%) and foreign sector(6.27%),thus representing a key intermediary in channeling retail savings. The savings by household sector includes savings in current, savings and term deposits. In the recent years, term deposits have witnessed higher year -on-year growth rates compared to that savings deposits which could be attributed to the introduction of innovative hybrid savings products by banks.

Retail lending has taken a prominent role in the lending activities of banks, as the availability of credit and the numbers of products offered for retail lending have grown. As per Centre for monitoring Indian Economy(CMIE)data ,the number of personal loan accounts with Scheduled Commercial Banks (SCBs) in India went up by almost 50 per cent between March 1997 and March 2002, correspondingly Retail (or Personal loan) outstanding measured in terms of amount went up by more than 130 per cent during the same period. Housing Loans, which accounted for about 28 per cent of personal loans outstanding in 1997, went up to 40 per cent in 2002, now at present constitutes the biggest segment i.e. 44-50% of the entire retail credit. However the growth rate maintained at 50% during 2004- 05, has come down to 33%, 25%, 13% and 4% in the subsequent years thus demonstrating a logarithmic trend. Automobile loans observed remarkable growth during 2005-06 at 73%, plunged down to 7% during 2008 further declining to -5%. The trend line for educational loans segment demonstrates a linear trend with an equation of y=35938 x + 7908.2 with 2004 as base year and high coefficient of determination (R^2=0.9833). Although credit card receivables makes up for only a small pie (5%) of retail portfolio as on March 2009 from 3% share in March 2004, the growth in terms of value is remarkable from Rs 6,167 crores in 2004-2005 to Rs 29,941 crores with a growth of 485%.. The trend line for this segment is linear with an

equation of y=87100 x + 109125 with 2004 as base year and high coefficient of determination (R^2=0.975).

The retail electronic - payment business has also witnessed a continuous growth in India. The debit card spends in terms of value have overtaken credit card spends since 2006-2007. Debit card spends have grown by at 38.57%, 53.23 % and 48.13% during the 3 year period from 2006 to 2009 while the corresponding credit card spends by 22.05%,40.19% and 12.71% every year .

Retail credit payouts in Dakshina Kannada and Kodagu districts

The two distrcts of Dakshina Kannada and Kodagu are heterogeneous in terms of economic activities which manifest in the form of diverse sectoral need for credit. For the former district banks have taken steps to increase investment credit for industry, whereas the latter district gets more agriculture advances. Ratio statistics were employed to arrive at the proportion of personal accounts (in terms of number and value) to total accounts in the 2 districts.

For personal advances, banks in D.K district have received a good response with (43 to 49%) of total accounts as personal accounts sharing almost 36 to 40% of total bank credit disbursed in the region during the 5 year period from 2005 to 2009. Trade accounts to total bank credit accounts come next, varying from 7.4% to 8.4% ,thus contributing to 8 to 9.8% of total credit volume.

The ratio of personal accounts to total accounts in terms of number varies from 30.4% to 33% and 22.7% to 26.7% in terms of value for Kodagu district during the period 2005-2009.Advances directed towards agriculture sector constituted almost 44% to 49% of total accounts, while receiving a higher proportion of 50 to 57.7% funds during 2005-2009.

Findings from the empirical studies

A. Customers' perception towards Retail Banking Practices

Factor analysis was used to ease out important relationship dimensions of customer satisfaction. Results of the factor analysis were put through the Alpha reliability test. Through factor analysis, the variables were summarised into smaller set of linear composites that

preserved most of the information in the original data set. The value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.901 indicates that sample size is large enough to yield suitable and reliable factors and Bartlett's test of sphericity is 4834.113 with significant value, also authenticated that there is sufficient common variance in the factors. The value of the coefficient Cronbach alpha ranged from 0.755 to 0.876 indicating satisfactory internal consistency as recommended by Nunnally (1970).Factor loadings obtained from EFA with Varimax rotation were further considered to test the factors. Three Factors were extracted:

1. Factor one was named as "satisfaction with internal marketing". Internal Marketing is closely linked to corporate branding, this factor included customer satisfaction with respect to availability of up-to-date equipments such a computers, counting machines and pass book printer in the branch, feedback collection by branch employees, availability and cordiality of staff and display of product information / hand out of brochures.

2. Factor two had all the statements related to fulfilment of traditional facilities, so named as "Core facilities". The items included were operation of Savings /Current account, waiting period at counter, processing of loan product, speed of collection of cheque / Demand draft facility and service charges.

3. Factor three had components related to satisfaction with image building and e-banking named as "contemporary developments".

Hypothesis 1. Customer satisfaction with retail banking services differs across different sub–segments of customers

The main purpose of this hypothesis is to analyze the level of customer perceived satisfaction among different customer groups based on socio-demographic factors (such as patronage with bank. occupation ,age of the customer ,banking service used).Thus 3 sub- hypotheses were used and for each of the 3 factors extracted, the hypotheses was tested using "t" test. The summary of hypothesis testing results is as follows.

Hypothesis 1a: Customer satisfaction differs across both Karnataka bank Ltd (private sector bank) and Corporation bank (public sector bank) with respect to three factors - internal marketing, Core facilities and contemporary developments

There is no significant difference among perceived satisfaction of customers of CB and KBL about core services and contemporary marketing practices in both regions, but the banks differed significantly with respect to relationship marketing and atmospherics $F(1,798)=23.827$ at $p <0.000$. The gap even though small in terms of mean scores has significant "F" statistics. Element wise analysis made through discriminant analysis reveals that CB is appreciated for its highly productive work culture and experienced workforce. It also scores higher than KBL in terms of branch and ATM location. KBL with excellent relationship marketing orientation and usage of user-friendly software to facilitate quick processing provides a great deal of satisfaction to its customers.

Hypothesis 1b: The perception of respondent customers about banking services differs across different occupation.

Under occupation, eight categories which include business, professional, salaried, retired, student, NRI and others were tested for differences in perceived satisfaction with respect to three factors. The mean satisfaction level of the customer differs across different categories. While businessmen are more satisfied (mean score of 20.48) than salaried customers with regard to core facilities,(19.38) the reverse is true in case of contemporary products. Customers with agriculture occupation have scored low mean (19.71, 19.68, and 19.967)out of 25 in all the 3 cases, which is predominantly due to lack of customized loan products as per the crop cycle and highest level of uncertainty in income. The F test with significant p values shows that the satisfaction level of customers following different occupations exhibits significant differences for all three factor dimensions.

Hypothesis 1c: Age of the customer has significant influence on perceived satisfaction

The sample consisted of 68.7% customers in the age group of 18-45 years, 23.3% in the age group of 46-60 years and 8.1% of respondents more than 60 years. Akin to the popular notion, age has marginal influence on customer satisfaction towards technology based products, whilst the young generation demands better management of core facilities. Age was significant in indicating perceived differences in satisfaction level of customers towards core services $F(3,788)= 11.257$ at $p<0.000$ and customer orientedness practices $F(3,796)= 10.048$ at $p<0.000$ in banks across both the regions. Fast and efficient service and the friendliness of bank personnel were found to be particularly important for the Younger generation.

Hypothesis 1d: Financial products used influences customer satisfaction

The respondent sample was split into two groups- Group 1 consisting of customers who are fixed deposit holders and Group 2 comprising of customers who are current Account & loan holders. Both the groups were subjected to factor analysis to probe for preference towards 3 dimensions.

First factor with 29.64% and 30% of variance, corresponds to satisfaction with customer orientedness and image building for both the groups. The second and third factor for the Fixed Deposit holders comes to "Competence of staff" and Convenience respectively. For loan holders "Convenience "comprising of variables related to location, service charges and display inside the branch is the second important factor while Competence of staff is the third factor.

Hypothesis 2. Customer Satisfaction differs across Dakshina Kannada and Kodagu districts- the regions chosen for study

All the 3 chosen dimensions have significant F statistics demonstrating within group differences in the chosen geographical regions. An inspection of "mean scores" for all 3 constructs indicates, customers of Mangalore region score high (19.91 , 21.98 and 22.13) than their counterparts in Kodagu region(18.73, 18.75 and 18) respectively in relation to satisfaction with core facilities, internal marketing and contemporary facilities.

Significant predictors of Overall satisfaction

The results of multiple-regression analysis illustrate that for customers of both banks, perceived customer orientedness, competence of staff and contemporary marketing developments in Retail banking practices play highly significant, and almost equal, roles in forming overall customer satisfaction. However association with the bank is marginally significant at 95% and demographic variables, age, education, occupation, income were not related to satisfaction.

Hypothesis 3: Customer satisfaction with core services, perceived satisfaction with image of the bank, perceived good feeling of transactional experiences with branch employees of the Bank and the duration of association of customer with the Bank has a positive influence on customer loyalty

Simple correlation was carried out using Pearson correlation coefficient to find out the degree of association between the three variables perceived image, personal rapport with the employees ,satisfaction with the core services and customer loyalty. Good rapport with the

front-line employees or interpersonal relationships(0.756) has a high association with loyalty, followed by perceived image (0.677) and satisfaction with core services(0.566).The analysis points out that duration of association with the bank has a diminutive association with three constructs perceived image, rapport and loyalty ,but small association with satisfaction towards core services.

Multiple regression was done to analyse for significant relationships between 4 dependent factors-association with the bank, perceived image, satisfaction with core service and rapport with customer loyalty as independent variables. The model is highly significant with $F(4,778)=294.605$ at $p<0.000$ as seen from the ANOVA statistics and the chosen independent variable are able to explain 60%of variation in dependent variable. Once again association with bank has comparatively lesser significance at $p=0.004$, while other independent variables are highly significant. The findings of the study is in line with the model developed by Bloemer,Ruyter & Peeters(1998) to test customer lotalty in a retail bank.

Single Vs Multiple Bank patronage

A white paper on Loyalty by an International firm Cedar consultancy reports that Customers stay with the bank not because they are satisfied; it is inertia which is often mistaken for retention. About 79% of customers in the respondent sample have banking transactions with other banks. It was found that 22.3% and 18.7% of customers bank "only" with Corporation Bank(CB) and Karnataka Bank Ltd(KBL) respectively. Among the different groups that constituted the sample, 32.8% of Retired persons choose to stay with the Primary bank, students (44.8%) were not exposed to multiple-banking, others group that included house-wives, Self Help groups, car drivers etc preferred single bank (50%).Only 4.5% of Professionals, 13% of salaried and agriculturists ,11%of business people among the respondent customers practiced solitary-banking. Consumers with home and consumer loan least practised single-banking. About 17.6% of male and 27% female respondents were highly loyal to their Primary bank. Gender and financial services used proved significant with chi-square statistics.

Hypothesis 4: Socio-economic and technological factors are vital predictors of propensity to adopt electronic banking services in the chosen regions.

ATMs are predominantly used for cash withdrawal (87.2%) followed by tracking transactions or collection of mini-statements (36%) and 20.6% for paying insurance premium. Only (36%)

preferred to use Debit cards at Point of Sales and 27.3% for booking e-tickets. Internet Banking was confined to 32 % of respondents for service request .The non-usage rates were high in case of paying insurance premium and e-ticket booking. While this may be partly due to the absence of a need for the service, specific advertising and educational activities may need to be undertaken to increase the level of customer awareness at least about time and money savings.

Gender was not found to be significant in the adoption of ATM services**,** but significant in case of Internet banking. Age was found to be marginally significant in case of adoption of Internet banking .While sources of information displayed marginal significance incase of adoption of ATM, it was a significant in the adoption of Internet banking. Association with the bank or history of banking relationship was significant with the adoption of ATM usage but not with Internet Banking. The nature of bank ownership (CB OR KBL) on Primary account holder did not have any significant relationship.

B.Results of empirical study on bankers' perception towards Retail Banking Practices in Commercial Banks

Out of 96 Banker respondents, about 59% belong to the age-group of 46-60 years, 22% range between 36 and 45 years,26 to 35 age group constitute 14% of sample and only 5% belong to the age group of less than 25 years. The employees with the cadre of senior manager represent 16% of sample while clerks constitute 30%, whereas Managers and officers' stand for 11.2and 42.5% respectively among the pool.

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The important role of bank employees in the quality of the services delivered is well documented in the literature. Trained employees can positively contribute to the service quality which was found by many banks to be instrumental to customer satisfaction and retention. For the analysis of employee perception towards retail banking practices Kruskal Wallis H-test –a non-parametric test was adopted, because it is believed that when the data are ordinal it is more powerful than chi-square test, besides that, it does not require a certain minimum expected frequency in each cell as chi-square test does.

Convenience

Convenience dimension had four variables convenient banking hours, location of ATM, location of branch and user-friendliness of website .Among the employees of Corporation Bank, a lack of consensus is evident towards location of ATM(chi-square=11.405 at p=0.01), location of branch (chi-square=17.402 at p=0.001) and user-friendliness of website (chi-square=14.93at p=0.002. In case of Karnataka Bank Ltd this lack of consensus is limited to evaluation of working hours facilitated to customers to carry out transactions and dealings(chi-square=14.12 at p=0.003).

VALUE

The 5 elements of the variable "Value" chosen are –availability of loan products, availability of investment products with different options, development of products/services in consonance with changing customer needs, Service Charges and hidden charges. Corporation Bank employees are content with Management's efforts in introducing new products and services which are in tune with the changing customer needs .In Karnataka Bank, perceptual differences exist with respect to in case of 3 elements -service charges, hidden charges and introduction of customized products and services exist for all the 3 factors (X^2=12.913at p=**.**005**)** and (X^2=14.876at p=**.**002**)**.

Service delivery

Banking has changed both in its texture and process significantly due to the technological deployments at the branch level and service -channel level. . There was significant region wise difference, in the outlook of employees in Corporation Bank (U=91at P=0.017) towards the computer and other peripherals resources such as UPS, printer available in the branch. . Employee-wise and region-wise differences are evident for the variable "repair of breakdowns in ATMs". The variable "reliability of staff" draws significant importance in terms of contrary views among employees of Karnataka Bank which is not a good indicator

Brand building

In this study, the brand –building efforts of the bank is captured through three elements- In-branch & displays, advertisement and promotional messages and alliances with other partners. There is no major significant difference in employee perception towards brand building efforts of their Banks based on their posting at different work places. Both the Banks

in their branches use carefully designed advertising programs to target established professionals, business owners and managers and other high –income households with services. Service–wise perceptual differences are dominant among the employees of Karnataka Bank towards the dimension "in-branch displays"(X^2=9.672 at P<0.022)

Service Climate

To examine more closely the perceived satisfaction about service climate, factors like practice of team work, employee recognition, monitoring feedback and training were included. Employees of both banks are satisfied about the practice of teamwork, but recognition needs are not fulfilled in both the banks as demonstrated by chi-square results. The core strength of both banks are –branch network and its middle level executives who are hands on and very well versed in their own areas of work. The banks can capitalize on these strengths and look at enhancing technological strength. It should be supported with capacity building exercise for specialized officers.

Suggestions

On the basis of findings and observation following suggestions are made**.**

1. Some managers working in semi-urban areas feel that even though the branch is properly located, it is housed in an old building. None of the branches have floor space to be treated as too large. In the present circumstances ,when location of branch is a controllable variable there is a need for managerial action for shifting the branches to a good location so that branches can play a effective role in business promotion.
2. Branch designs should increase customer awareness of the bank's full range of products and services in order to capture additional sales opportunities, while also creating an environment that facilitates greater interaction between customers and branch personnel.
3. Banks need to strengthen institutional level skills, especially in sales and marketing, service operations, risk management and the overall organizational performance ethics. Furthermore, skills of existing manpower need to be urgently upgraded in view of the changed job roles in the technology driven environment.
4. Bank officers are facing the continuous stress, tension and strain due to prolonged working hours and shortage of staff. Another dissuading factor is the six-day week

and even working on Sundays for a compensatory off, which often goes non-availed due to pressing work load.

5. Up gradation of skills in IT related services through proper training and re-training is a sine qua non for keeping the entire workforce in perfect readiness to take up the challenging environment unfolding everyday. The training policy should ensure that all the employees are given adequate inputs and training to equip them to be on par with the best in industry.
6. If there is necessity for homogeneity in views of the employees for imparting good service, then policy planners in financial services should look in to these key issues such as proper communication, training and providing up to date computers while designing customer satisfaction programs

7. There is a lot of justifiable excitement about debit cards. Presently banks are offering an ATM-cum-debit card to customers upon opening a bank account. The successful usage of these cards depends on getting them into the hands of customers, encouraging activation and usage, promoting bill payments and anchoring with savings/current accounts. Banks will be required to learn how to use debit cards aggressively to gain profitable market share. Success will depend on better understanding of customer profiles, their needs and behaviors and associated revenue streams. This will require an intensive understanding of preferred payment methods and selective motivation and how customers are likely to exhibit account behavior in various scenarios.

8. CB and KBL have introduced Prepaid Student debit cards with predefined limits issued to parents but centered on children. KBL cards can be used at merchant locations, restaurants, petrol pumps with a surcharge and other Bank ATMs. CB encourages swiping through offering a insurance cover but declines cash transactions attempted in other Bank ATMs. As per figures published in the website of CB(Analyst Meet on the Bank's Financial Results of September 2010) the bank has covered 86 educational institutions issuing about 35,000 Campus cards. It is necessary to identify clusters of customers in this segment by analyzing points of transaction. Apart from this, these cards also require additional security due to fear of pilferage at campus. At a time when banks are struggling to differentiate between

themselves, debit cards are emerging as the fastest growing and most exciting fields for innovation.

9. Banks need to focus more on activation of debit cards, since it is a critical first step towards usage. To close the gap between ownership and usage, banks may make outbound calls to encourage activation. The cash back offer campaign by CB during the past years has triggered a huge spurt in the number of transactions as well as amount. However the promotion of this campaign was limited to select cities and limited to a short duration. The Bank can launch Loyalty rewards programme and Campaigns to promote first use of cards. Other major Public sector Banks like State Bank of India have witnessed a huge success by launching such programmes. Segment –based product development is taking up on a big scale within retail Banking.

10. The results of customer perceptual study shows that there exists a small perceptual gap among the customers of CB(Public sector bank) and KBL (Private sector bank) regarding the application of relationship marketing philosophy in the banks. Human resource policies should focus on encouraging employees to build relationships. The customers per branch in KBL less than 5000 numbers in the sampling region are manageable, but CBL with long years of founding in D.K and Kodagu districts has more than 10,000 customers in its Scale II branches. To this end, CB needs to have a customer service system that not only responds to customer complaints, but also encourages consumers to complain.

11. The awareness levels of bank customers about bundling of services (ticket booking, prepaid mobile recharge, etc) available through internet mode needs to be elevated by highlighting the benefits of time savings and convenience. While this may be partly due to the absence of a need for the service, specific advertising and educational activities may need to be undertaken to increase the level of customer awareness at least about time and money savings. Branches and ATMs can be used for display the product profile of e-banking services in the local languages.

12. In the present cutthroat competition , tapping the competencies of employees and enhancing them for the industry does not just remain an issue for effectiveness rather it is a necessity for survival. Competency mapping based training need assessment

system can be developed for two levels of hierarchy –scale I and scale II officers . This exercise brings forth the confidence level of the officers. The mapped competencies can help in developing a focused training system.

13. To increase service quality in e-banking, both the banks should make improvements in ATM services by speedy cash replenishments, proper maintenance and security arrangements. During Sundays and public holidays the ATMs are "out of cash", and hardly cater to the needs of bank customers and tourists especially in Mangalore and Madikeri city areas. In this regard banks should conduct a demand forecasting using past data and request the agencies to load the ATMs with cash.

14. Customers belonging to rural regions are satisfied with service orientation of employees but not with the products. The focus should be on crop patterns than the life-cycle needs. In the urban regions, customers look for courteous behavior of the bank staff, appealing facilities (0.62) and easy approachability of executives.A satisfied customer acts as a referral market for the bank. Banks should envisage a strategy to serve customers with different occupations and education backgrounds. The respective banks can modify their service offerings to suit their customer expectations.
15. Synergy between manufacturers and financers has been an added attraction to customers. Banks need to tie- up with vehicle manufacturers, land developers, educational institutions etc to strengthen retail lending programmes. Whereas on the deposit side, it is worthwhile to provide a blend of core and peripheral services(at present insurance linked SB ,free Debit card etc). The peripheral or supporting services would be a focal point.

Conclusion

Commercial banks offer a full range of services for individuals from safeguarding money and valuables to the provision of loans, credit, and payment services. The nature of retail banking services is essentially related to the dynamic adaptation of organizational and technical instances around these main functions. With competition, consolidation and convergence of services happening in Indian commercial banking industry ,existing retail banking Products are improved and developed, both in embodied and disembodied ways, according to the experience of the product in use and by means of feedback from their diffusion and development. Meanwhile, the transformation of the internal organization of banks was a

phenomenon induced by technical progress and realized through a complex mixture of elements .Bankers' responded to the challenges of a changing environment by growing capabilities as well as by maintaining an active attitude to adjust.This study tested the customers and employees' perception about service in retail banking segment at the branch level. This study significantly contributes in explaining the relationship between the internal alignments of the bank management and the customers along the retail banking service value chain which shall help in building effective customer retention strategies by internal customer orientation to face competition of tomorrow.

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